GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:5257
ANSWERED ON:22.12.2000
RECOMMENDATIONS OF SEBI
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Will the Minister of FINANCE be pleased to state:

(a) whether the Secondary Market Advisory Committee of SEBI has recommended abolition of the no delivery period norms, reduction of gap between two book closures and minimum floating stocks for continuous listing for companies in India;

(b) if so, the details thereof;

(c) whether SEBI has issued suitable clarifications to the stock exchanges to allow contract notes and client confirmation through digital signature;

(d) if so, the details thereof; and

(e) the other recommendations made by the Committee and the steps taken or being taken by the Government in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (BALASAHEB VIKHE PATIL)

(a) & (b) The Secondary Market Advisory Committee of SEBI has recommendedinter-alia, that no delivery period for corporate actions such as issue of dividend and bonus shares be abolished for securities which are traded in the compulsory dematerialised form. It has also been recommended that the time gap between two book closures/ record dates be reduced from 90 days to 30 days. Further , with a view to ensuring availability of floating stock of listed companies, on a continued basis, it has been recommended that there should be minimum non-promoter holding levels.

(c) & (d) : SEBI has intimated that vide SEBI`s circular dated 15.12.2000, it has been clarified to the stock exchanges that the brokers are allowed to issue contract notes authenticated by means of digital signatures provided that the broker has obtained digital signature certificate from certifying authority under the Information Technology Act, 2000. The mode of confirmation by the client may be as specified in the agreement between the broker and the client.

(e) The other recommendations made by the Committee are as follows :
(i) implementation of mandatory client code requirement by the stock exchanges by January 1, 2001;
(ii) decisions regarding dividend, bonus, rights announcements or any material event are to be made public by the company within 15 minutes of the decision being taken;
(iii) the existing `know your client` form of brokers be reviewed so as to simplify the process for small investors;
(iv) current agreement between broking entity and its sub broker be reviewed etc.